

ESHB 3329 - S COMM AMD

By Committee on Ways & Means

ADOPTED AND ENGROSSED 03/11/08

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** The legislature finds that the state's
4 public four-year institutions and the higher education coordinating
5 board have made progress in developing a process to create a single
6 prioritized list of capital project requests as required under RCW
7 28B.76.220. The legislature also finds that this process requires
8 further refinement to achieve the state's policy objectives as outlined
9 in the higher education coordinating board's strategic master plan for
10 higher education in Washington. The legislature further finds the goal
11 of creating additional, innovative facilities and programs that meet
12 the learning needs of students throughout the state in a timely and
13 cost-effective fashion requires a new approach to facility
14 prioritization that emphasizes strategic planning. The legislature
15 therefore intends to establish a new process for prioritizing capital
16 project requests by the four-year institutions that utilizes the
17 expertise and government-wide perspective of the office of financial
18 management, and that is based upon the model that has been used
19 successfully by the community and technical college system. The new
20 process must emphasize objective analysis, a statewide perspective, and
21 a strategic balance among facility preservation, new construction, and
22 innovative delivery mechanisms. The legislature further recognizes
23 that institutions of higher education are likely to require substantial
24 new capital investments in order to continue to provide a wide range of
25 high quality programs to students and the community, and that the
26 state's ability to provide such resources is constrained by increasing
27 capital expenditure needs within the K-12, public safety, social
28 services, and community economic development arenas. The legislature
29 therefore intends to identify and assess potential alternative means

1 for increasing the capacity of public higher education institutions to
2 meet the demands of the twenty-first century.

3 NEW SECTION. **Sec. 2.** (1) By October 15th of each even-numbered
4 year, the office of financial management shall complete an objective
5 analysis and scoring of all capital budget projects proposed by the
6 public four-year institutions of higher education and submit the
7 results of the scoring process to the legislative fiscal committees,
8 the higher education coordinating board, and the four-year
9 institutions, except that, for 2008, the office of financial management
10 shall complete the objective analysis and scoring by November 1st.
11 Each project must be reviewed and scored within one of the following
12 categories, according to the project's principal purpose. Each project
13 may be scored in only one category. The categories are:

14 (a) Access-related projects to accommodate enrollment growth at
15 main and branch campuses, at existing or new university centers, or
16 through distance learning. Growth projects should provide significant
17 additional student capacity. Proposed projects must demonstrate that
18 they are based on solid enrollment demand projections, more
19 cost-effectively provide enrollment access than alternatives such as
20 university centers and distance learning, and make cost-effective use
21 of existing and proposed new space;

22 (b) Projects that replace failing permanent buildings or renovate
23 facilities to restore building life and upgrade space to meet current
24 program requirements. Facilities that cannot be economically renovated
25 are considered replacement projects. Renovation projects should
26 represent a complete renovation of a total facility or an isolated wing
27 of a facility. A reasonable renovation project should cost between
28 sixty to eighty percent of current replacement value and restore the
29 renovated area to at least twenty-five years of useful life. New space
30 may be programmed for the same or a different use than the space being
31 replaced or renovated and may include additions to improve access and
32 enhance the relationship of program or support space;

33 (c) Major stand-alone campus infrastructure projects;

34 (d) Projects that promote economic growth and innovation through
35 expanded research activity. The acquisition and installation of
36 specialized equipment is authorized under this category; and

1 (e) Other project categories as determined by the office of
2 financial management in consultation with the legislative fiscal
3 committees.

4 (2) The office of financial management, in consultation with the
5 legislative fiscal committees and the joint legislative audit and
6 review committee, shall establish a scoring system and process for each
7 four-year project category that is based on the framework used in the
8 community and technical college system of prioritization. Staff from
9 the state board for community and technical colleges, the higher
10 education coordinating board, and the four-year institutions shall
11 provide technical assistance on the development of a scoring system and
12 process.

13 (3) The office of financial management shall consult with the
14 legislative fiscal committees in the scoring of four-year institution
15 project proposals, and may also solicit participation by the joint
16 legislative audit and review committee and independent experts.

17 (a) For each four-year project category, the scoring system must,
18 at a minimum, include an evaluation of enrollment trends,
19 reasonableness of cost, the ability of the project to enhance specific
20 strategic master plan goals, age and condition of the facility if
21 applicable, and impact on space utilization.

22 (b) Each four-year project category may include projects at the
23 predesign, design, or construction funding phase.

24 (c) To the extent possible, the objective analysis and scoring
25 system of all capital budget projects shall occur within the context of
26 any and all performance agreements between the office of financial
27 management and the governing board of a public, four-year institution
28 of higher education that aligns goals, priorities, desired outcomes,
29 flexibility, institutional mission, accountability, and levels of
30 resources.

31 (4) In evaluating and scoring four-year institution projects, the
32 office of financial management shall take into consideration project
33 schedules that result in realistic, balanced, and predictable
34 expenditure patterns over the ensuing three biennia.

35 (5) The office of financial management shall distribute common
36 definitions, the scoring system, and other information required for the
37 project proposal and scoring process as part of its biennial budget
38 instructions, except that, for the 2009-2011 budget development cycle,

1 this information must be distributed by July 1, 2008. The office of
2 financial management, in consultation with the legislative fiscal
3 committees and the joint legislative audit and review committee, shall
4 develop common definitions that four-year institutions must use in
5 developing their project proposals and lists under this section.

6 (6) In developing any scoring system for capital projects proposed
7 by the four-year institutions, the office of financial management:

8 (a) Shall be provided with all required information by the four-
9 year institutions as deemed necessary by the office of financial
10 management;

11 (b) May utilize independent services to verify, sample, or evaluate
12 information provided to the office of financial management by the four-
13 year institutions; and

14 (c) Shall have full access to all data maintained by the higher
15 education coordinating board and the joint legislative audit and review
16 committee concerning the condition of higher education facilities.

17 (7) By August 15th of each even-numbered year, beginning in 2008,
18 each public four-year higher education institution shall prepare and
19 submit prioritized lists of the individual projects proposed by the
20 institution for the ensuing six-year period in each category. On a
21 pilot basis, the office of financial management shall require one
22 research university to prepare two separate prioritized lists for each
23 category, one for the main campus, and one covering all of the
24 institution's branch campuses. The office of financial management
25 shall report to the legislative fiscal committees by December 1, 2009,
26 on the effect of this pilot project on capital project financing for
27 all branch campuses. The lists must be submitted to the office of
28 financial management and the legislative fiscal committees. The four-
29 year institutions may aggregate minor works project proposals by
30 primary purpose for ranking purposes. Proposed minor works projects
31 must be prioritized within the aggregated proposal, and supporting
32 documentation, including project descriptions and cost estimates, must
33 be provided to the office of financial management and the legislative
34 fiscal committees.

35 NEW SECTION. **Sec. 3.** The office of financial management shall
36 submit a higher education capital facility financing study to the
37 governor and the appropriate legislative fiscal committees by December

1 1, 2008. In designing and conducting the study, the office of
2 financial management shall consult with legislative and fiscal
3 committee leadership, the department of revenue, the state investment
4 board, the higher education coordinating board, the state board for
5 community and technical colleges, and the public four-year institutions
6 of higher education. The study must include:

7 (1) A review of the methods that are used to fund higher education
8 facility expansion and improvements in other states, with particular
9 emphasis on Washington's global challenge states, and the relative
10 portions of such expenditures that are borne by students, state
11 taxpayers, federal grants, and private contributions;

12 (2) An examination of alternatives for reducing facility
13 construction and maintenance expenditures per student through
14 strategies such as expansion of distance learning opportunities,
15 increased scheduling of classes during evenings and weekends, the
16 establishment of expected cost benchmarks by facility type, and other
17 means; and

18 (3) An assessment of the strengths and weaknesses of potential new
19 revenue sources that might be applied to the funding of higher
20 education facilities. These alternative sources must include, but not
21 be limited to, adjusting student fees to support a larger share of the
22 cost of such facilities, bonding against student fee revenues,
23 utilizing local tax revenues to support local higher education capital
24 needs, promoting business participation in the financing of programs
25 strongly linked to area economic development, and other means.

26 **Sec. 4.** RCW 28B.76.210 and 2007 c 458 s 202 are each amended to
27 read as follows:

28 (1) The board shall collaborate with the four-year institutions
29 including the council of presidents, the community and technical
30 college system, and when appropriate the workforce training and
31 education coordinating board, the superintendent of public instruction,
32 and the independent higher educational institutions to identify budget
33 priorities and levels of funding for higher education, including the
34 two and four-year institutions of higher education and state financial
35 aid programs. It is the intent of the legislature that recommendations
36 from the board reflect not merely the sum of budget requests from

1 multiple institutions, but prioritized funding needs for the overall
2 system of higher education.

3 (2) By December of each odd-numbered year, the board shall
4 distribute guidelines which outline the board's fiscal priorities to
5 the institutions and the state board for community and technical
6 colleges.

7 (a) The institutions and the state board for community and
8 technical colleges shall submit an outline of their proposed operating
9 budgets to the board no later than July 1st of each even-numbered year.
10 Pursuant to guidelines developed by the board, operating budget
11 outlines submitted by the institutions and the state board for
12 community and technical colleges after January 1, 2007, shall include
13 all policy changes and enhancements that will be requested by the
14 institutions and the state board for community and technical colleges
15 in their respective biennial budget requests. Operating budget
16 outlines shall include a description of each policy enhancement, the
17 dollar amount requested, and the fund source being requested.

18 (b) Capital budget outlines for the two-year institutions shall be
19 submitted by August 15th of each even-numbered year, and shall include
20 the prioritized ranking of the capital projects being requested (~~(by~~
21 ~~two-year and four-year institutions, respectively.)~~), a description of
22 each capital project, and the amount and fund source being requested(~~(~~
23 ~~shall be included for each capital project appearing in the prioritized~~
24 ~~ranking)~~).

25 (c) Capital budget outlines for the four-year institutions must be
26 submitted by August 15th of each even-numbered year, and must include:
27 The institutions' priority ranking of the project; the capital budget
28 category within which the project will be submitted to the office of
29 financial management in accordance with section 2 of this act; a
30 description of each capital project; and the amount and fund source
31 being requested.

32 (d) The office of financial management shall reference these
33 reporting requirements in its budget instructions.

34 (3) The board shall review and evaluate the operating and capital
35 budget requests from four-year institutions and the community and
36 technical college system based on how the requests align with the
37 board's budget priorities, the missions of the institutions, and the

1 statewide strategic master plan for higher education under RCW
2 28B.76.200.

3 (4) The board shall submit recommendations on the proposed
4 (~~budgets~~) operating budget and (~~on the board's budget~~) priorities
5 to the office of financial management (~~before~~) by October 1st of each
6 even-numbered year, and to the legislature by January 1st of each odd-
7 numbered year. The board's capital budget recommendations for the
8 community and technical college system and the four-year institutions
9 must be submitted to the office of financial management by November
10 15th of each even-numbered year and to the legislature by January 1st
11 of each odd-numbered year. The board's recommendations for the four-
12 year institutions must include the relative share of the higher
13 education capital budget that the board recommends be assigned to each
14 project category, as defined in section 2 of this act, and to minor
15 works program and preservation.

16 (5) Institutions and the state board for community and technical
17 colleges shall submit any supplemental budget requests and revisions to
18 the board at the same time they are submitted to the office of
19 financial management. The board shall submit recommendations on the
20 proposed supplemental budget requests to the office of financial
21 management by November 1st and to the legislature by January 1st.

22 NEW SECTION. Sec. 5. RCW 28B.76.220 (Prioritized capital project
23 lists for higher education institutions) and 2004 c 275 s 8 & 2003 1st
24 sp.s. c 8 s 2 are each repealed.

25 NEW SECTION. Sec. 6. Section 2 of this act constitutes a new
26 chapter in Title 43 RCW."

ESHB 3329 - S COMM AMD
By Committee on Ways & Means

ADOPTED 03/11/08

27 On page 1, line 2 of the title, after "requests;" strike the
28 remainder of the title and insert "amending RCW 28B.76.210; adding a

1 new chapter to Title 43 RCW; creating new sections; and repealing RCW
2 28B.76.220."

--- END ---